

M e m o r a n d u m

To: Panel Members

Date: October 23, 2003

From: Ruby Cohen, Manager

Analyst: R. Hernandez

Subject: One-Step Agreement for **E. & J. Gallo Winery**

CONTRACTOR:

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition Training In High Unemployment Areas Of California
- Legislative Priorities: Moving To A High Performance Workplace Developed Jointly By Management And Workers Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
 - *Worldwide:* 3,090
 - *In California:* 2,725
- ETP Trainees Represented by Union: Yes
- Name and Local Number of Union Representing ETP Trainees: U.F.C.W. Wine, Distillery & Allied Workers' Local 186D; Glass, Molders, Pottery, Plastics & Allied Workers, International Union Local 17 AFL-CIO, CIC

CONTRACT:

- Program Costs: \$711,334
- Substantial Contribution: \$355,667
- Total ETP Funding: \$355,667
- Total In-kind Contribution: \$6,291,000
 - *Trainee Wages Paid During Training:* \$800,000
 - *Other Contributions:* \$5,491,000
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Stanislaus, Sonoma, Madera

INTRODUCTION:

E. & J. Gallo Winery (Gallo) produces wine, brandy and malt products and sells its products to a network of domestic and international distributors. This company is eligible to contract with ETP under the Unemployment Insurance (UI) Code §10205(c)(1) as an employer. Gallo faces out-of-state competition and is eligible for ETP funding as specified under Title 22, California Code of Regulations (22 CCR), Section 4416(b) for industrially classified manufacturers retraining current employees. Gallo is also located in Stanislaus and Madera Counties, high unemployment areas with unemployment rates of 11.3 percent and 8.7 percent, respectively.

MEETING ETP GOALS AND OBJECTIVES:

Gallo proposes training that will further the following ETP goals and objectives:

- 1) Increase the impact of the training provided through ETP funds on California's economy and increase Economic Development category funds approved for manufacturing.
- 2) Increase the number of persons trained under projects that support joint labor employer training ventures.
- 3) Increase the skills of workers in high unemployment areas.

TRAINING PLAN TABLE:

Grp/Trainee Type	Types Of Training	No. Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Cost Per Trainee	Hourly Wage After 90 Days
Job Numbers 1 -9 Retrainees	Computer Skills Continuous Improvement Manufacturing Skills	1,249	24 - 84		\$156 - \$546	\$10.98 - \$50.48
					<u>Prevalent Hourly Wage</u> <u>\$15.45</u>	
					<u>Average Cost Per Trainee</u> \$285	
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> *Health benefits of at least \$1.79 per hour will be applied to the base wage in order to meet the ETP minimum hourly wage of \$10.98 for Stanislaus, Sonoma, and Madera Counties.					<u>Turnover Rate</u> 8.7%	<u>% Of Mgrs & Supervisors To Be Trained:</u> 9%
<u>Other Employee Benefits:</u> 401K and Pension Plans						

COMMENTS / ISSUES:

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under 22 CCR, Section 4400(ee). The exception are the supervisors/team leaders and operations managers who comprise nine percent of the total training population.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

COMMENTS / ISSUES: (continued)

➤ ***Substantial Contribution***

Twenty-two (22), CCR, Section 4410(a) states in part that “ A substantial contribution of not less than 30 percent of the total Panel training and administrative costs, exclusive of in-kind contribution and/or any other special contributions required by Panel, shall be imposed on any employer for retraining at a facility which previously benefited, directly or indirectly, from Panel funding under at least two prior Panel agreements at the same facility in the amount of \$250,000 or more.” The substantial contribution is applied only if prior Agreements were within the last five years.

In addition, 4410(b) and (c) states, “A substantial contribution of no less than 50 percent shall be assessed on any subsequent agreements, beginning with the fourth agreement, for retraining at the same facility. This provision shall apply to employers participating in a consortia contract.”

A substantial contribution of 50 percent has been applied to this Agreement because Gallo has benefited, directly and indirectly, from Panel funding under two prior Panel agreements and two consortia contracts in excess of \$250,000.

➤ ***Training for the Gallo Glass Subsidiary***

Gallo requests to include training for 73 Gallo Glass warehouse workers. Gallo Glass and Gallo are both subsidiaries of Dry Creek Corporation and both are manufacturers. Gallo Glass manufactures the glass bottles that are used by Gallo in their bottling operations. The proposed training will enable Gallo Glass workers to work with the new Work Order Management System (WMS) and Building Winning Teams (BWT). It will help them to become proficient in the technical operation of equipment and programs used to collect data for inventory control, and provide skills in inventory management, Just-In-time delivery, problem solving, and teamwork.

Although this is a single employer contract, a consortia accord has been signed with Gallo Glass. The intent of the accord is to provide Gallo Glass workers with the skills to work with the new Work Order Management System. Gallo will provide training instruction and materials and Gallo Glass will provide the trainees/employees for training.

The proposed Contractor in this Agreement will be E. & J. Gallo Winery and employees from both Gallo and Gallo Glass will receive training. Glass, Molders, Pottery, Plastics & Allied Workers International Union represents Gallo Glass employees and endorses this training program.

➤ ***Senior Policy Managers/Executive Level - Managers***

The proposed Contractor certifies that no senior policy manager or executive level employees have been included in this training project.

➤ ***U.F.C.W. Wine, Distillery & Allied Workers' Local 186D***

The UFCW Wine, Distillery & Allied Workers' Local 186D (UFCW), has submitted a letter of support which contains numerous provisions that the Union wishes to see included in the Agreement between ETP and Gallo. These provisions reflect an agreement between Gallo and the UFCW. Although ETP staff commends and welcomes the union/management joint effort to make the proposed training effective, many of the provisions are, in light of recent case law and ETP past practice, beyond the scope of an ETP training Agreement. ETP staff does not recommend incorporating the provisions of the UFCW/Gallo agreement into the ETP/Gallo training Agreement. However, in order to address the Union's concerns that Gallo may preclude Union participation in the training notwithstanding the UFCW agreement with Gallo, Staff recommends the following language be included in ETP's Agreement with Gallo:

1. The UFCW Wine, Distillery & Allied Workers' Local 186D (UFCW), will participate in the development of any training provided through this Agreement, and that participation will be included in ETP monitoring of this agreement. A representative of the UFCW, as designated by that union's President, may be present at ETP monitoring meetings at the union's discretion. Contractor shall provide the UFCW with reasonable notice of scheduled ETP monitoring visits.
2. Periodic monitoring of the UFCW's ongoing participation in the training will be built into the ETP monitoring analyst's regular monitoring schedule. The monitoring will include interviews with personnel of UFCW.

The above provisions are within the scope of ETP Agreements, will underscore ETP's interest in monitoring Union participation in the project, and allows ETP staff to initiate enforcement of UFCW participation within the context of regular ETP monitoring.

It should be noted that ETP Legal staff is concerned that the inclusion of UFCW's proposed language may be in violation of the National Labor Relations Act, since the inclusion may be interpreted as an incursion into the area of collective bargaining. If the Panel is inclined to include UFCW's language, Legal strongly recommends that ETP seek an opinion from the Attorney General's office prior to adding UFCW's language to the ETP Agreement.

PROPOSED ACTION:

Staff recommends that the Panel:

- (1) include in the Agreement provisions 1 and 2 recommended by staff,
- (2) not include the UFCW's proposed language, and
- (3) approve this Agreement if funding is available and the project meets the Panel priorities.

NARRATIVE:

In 1933, Ernest and Julio Gallo founded E. & J. Gallo Winery ("Gallo") and, in the 1970s, formed a holding company named Dry Creek Corporation. Gallo and Gallo Glass are subsidiaries of Dry Creek Corporation. Gallo produces and sells wines, brandy, and malt productions under various brand names including Livingston Cellars, Turning Leaf,

NARRATIVE: (continued)

Carlo Rossi, and Peter Vella. Gallo Glass manufactures the glass bottles used by Gallo's bottling operation.

During the past few years Gallo has found that it is losing its competitive market share to an increasing number of domestic and international wine producers. Additionally, internet and direct sales from countries producing high volumes with low production costs (i.e., Chile, Australia, and South Africa) are also competing with California wine producers.

To remain competitive in a global marketplace, Gallo continues to focus on strategies involving technologically-advanced equipment and a team-based work environment. Gallo's efforts to regain and expand its market share include \$2 million investment in new equipment, a Work Order Management System (WMS), and implementation of team-based continuous improvement processes, Building Winning Teams (BWT). The WMS will allow Gallo to trace and track all of its components and finished good inventory and allow for Just-in-Time manufacturing and shipping. The BWT will continue Gallo's implementation of a high performance workplace. In addition, Gallo recently received International Standards of Operation (ISO) certification. The training will include Gallo and Gallo Glass administrative staff, supervisors/team leaders, general production workers, lift truck drivers, and operations managers in the following training:

Manufacturing Skills will train employees to proficiently operate technical equipment, the WMS, used to scan data for inventory control and tracking. Employees responsible for inventory control and accuracy will receive training in WMS and Just in Time delivery system. A train the trainer component will be provided to 27 trainees in Job 8. These trainees will facilitate the implementation of the WMS and BWT.

Continuous Improvement Skills training will include production operations work flow, quality concepts, decision making, problem solving, basic team development, conflict management, workplace diversity, and Just-In-Time processes. The training will include BWT and focus on customer demands and product quality.

Computer Skills will provide employees with the skills to use the new WMS. Trainees will learn inventory control, order tracking, computerized scheduling, and integrated materials management. Employees must learn the computer skills to effectively use the new warehousing system.

Training will be provided by in-house staff, Modesto Junior College, and SwissLog (WMS Vendor). Project administration will be provided by Modesto Junior College.

Supplemental Nature of Training

Panel Legislation requires that ETP funds be used to supplement, rather than displace, funds available through existing programs conducted by employers and government-funded programs.

The previously ETP-funded Agreement in 1997 provided training to managers, assistant managers, supervisors, foremen, operators, production workers, administrative

NARRATIVE: (continued)

assistant, analysts, technicians, helpers, handlers, and maintenance personnel. The training program included integrated systems technology and methods (topics in microsoft windows 93, microsoft word, access, excel, powerpoint, outlook, personal computer troubleshooting, statistical process control, leadership, technical writing, total production maintenance, and auto-computer aided-drafting). The computer skills training proposed in this Agreement is different because it focuses on inventory control, order tracking, computerized scheduling, and integrated materials management.

In 2000, the ETP Agreement provided classroom and structured, on-site training to team leaders, process leaders, production workers, mechanics, and operators. Employees received continuous improvement and manufacturing skills training (topics in team development, team meetings, team membership, problem solving, and new equipment (wine skid, packers, labelers fillers, carton formers, case erectors, bulk glass depalletizers, printing systems, rinsers, and conveyor systems). This proposed training is different because the continuous improvement includes just-in-time processes, quality concepts, process improvement, and production/operations work flow. The proposed manufacturing skills are also different because it concentrates on new inventory control processes and equipment operation. Although decision-making, problem-solving, and basic team development were included in the previous Agreement, this proposal will reinforce the decision-making, problem-solving, and basic team development skills to be used in implementing the BWT processes at Gallo and Gallo Glass.

Gallo certifies that this training supplements and does not displace any training currently being offered and that it would not occur in the form or manner described without ETP funds. Current ongoing training programs include on-the-job basic equipment operation and technical skills training related to workplace safety training, hazardous materials training and good manufacturing practices.

Upon completion of this training program, retrainees will receive additional on-the-job training (OJT) correlating to the formal classroom and laboratory training. The OJT will be incorporated into Gallo's ongoing training plan to ensure that employees are proficient in their new skills. The cost associated with this training will be covered entirely by Gallo.

SUBCONTRACTORS:

Modesto Junior College, Modesto, California - Training and Administration - amount to be determined.

SwissLog, Orange, California - Training - amount to be determined.

THIRD PARTY SERVICES:

Mary Anne Parker provided application development services at no charge to E. & J. Gallo Winery.

PRIOR PROJECTS:

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS					
Agreement Number	Location (City)	Term	% Earned	Planned In-kind Contribution	Reported In-kind Contribution
*ET7-0284	Modesto	02/04/97 - 02/03/99	30%	**N/A	**N/A
ET00-0270	Modesto	04/03/00 – 04/02/02	88%	\$300,000	\$440,524

**According to the Contractor, performance on this project was not as successful as anticipated due to ineffective administrative procedures. To ensure success on subsequent projects, the Contractor used a local subcontractor to administer the project.*

***In-Kind Contribution information was not identified in this Agreement.*

Gallo Menu Curriculum

CLASS/LAB

HOURS

24 -84

Trainees will receive one or more of the following:

Manufacturing Skills

- Train-the-Trainer
- Inventory Control
- Warehousing
- Manufacturing Processes
- Equipment Operation
- Production Operation

Continuous Improvement Skills

- Production Operations/Work Flow
- Process Improvement
- Quality Concepts
- Decision Making
- Problem Solving
- Building Winning Teams
- Just In Time Processes
- Conflict Management
- Workplace Diversity

Computer Skills

- Material resource planning
- Inventory control
- Order tracking
- Computerized scheduling
- Integrated materials management



UFCW-WINE, DISTILLERY & ALLIED WORKERS, LOCAL 186D

329 Downey Ave.
Modesto, CA 95354-1297

Phone (209) 524-4245
Fax (209) 524-7066

OCTOBER 6, 2003

Agreement No. ET 04-0426

Employment Training Panel
1100 J Street, 4th Floor
Sacramento, CA 95814

Page 1 of 2

Dear Panel Members,

UFCW Local 186D and E&J Gallo have reached an agreement under which the Union supports the Company's receipt of ETP funding. This agreement is based upon a number of stipulations, arrived at in the hope that a successful collaboration will foster increasingly positive relations between the Company and its Union-represented Employees. Accordingly, the following stipulations should be codified as part of the ETP Preliminary Agreement and the ETP Final Agreement:

1. The WMS training is intended to benefit both the Company and its Employees:
 - a. The Company states that it is not its intention to layoff or eliminate any Warehouse jobs as a result of the upcoming WMS implementation. In the event of any layoff or job elimination, the Company will give the Union 60-day notice of such an event, and the Company will handle such an occurrence by the applicable provisions of the labor agreement and to the extent possible by attrition.
 - b. The Company agrees that an Employee's performance on quizzes or other items used to test comprehension on WMS training or other training noted above will not be used as a measure of skills or abilities for the purpose of awarding future job bids.
 - c. The Union may view change-request forms submitted by hourly employees.
 - d. Certificates of Completion will be issued to Employees for each WMS training module completed by them.
 - e. The Company will meet with the Union to discuss any disagreement that may arise over Union members selected for or excluded from participation in the ETP-funded WMS Train the Trainers.
2. Members of management, the Union, and Employees will form a Joint Training Committee (JTC).
 - a. The Union will select workers to participate in a Union Training Committee (UTC). When applicable, these workers will be released from their shift to fulfill UTC duties on paid company time. Not counting time spent in the JTC meetings, the Company agrees to pay up to an aggregate total of 240 man-hours for all UTC activity. If the union believes additional UTC work is necessary beyond the 240 man-hours, the Company and the Union will meet to discuss an increase in UTC company-paid time.
 - b. The JTC will be comprised of management-selected representatives and UTC representatives.
 - c. The Company, by the end of November 2003, will identify and authorize appropriate representatives of Company management to participate in the JTC.
 - d. The management representatives to the JTC must have the authority to negotiate and approve the following: training programs, employer-paid participation in training programs, the selection of trainees for the programs, and the selection of in-house or outside trainers.

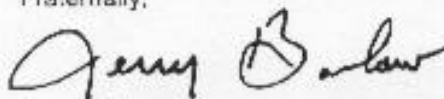
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UFCW Union Letter of Support for ETP Gallo Project Page 2

3. Additional trainings—especially in Conflict Management and Problem Solving—are considered valuable by both the Company and the Union:
 - a. The UTC will develop a proposal for a training program in Conflict Management and Problem Solving. Development will begin in October of 2003 and a proposal presented to the JTC in early 2004.
 - b. The JTC will review and revise the proposal for training in Problem Solving and Conflict Management to prepare it for implementation in the first quarter of 2004.
 - c. The UTC will also develop a proposal for remedial training such as vocational English and basic math to present to the JTC.
 - d. It is understood that any portion of the above-referenced proposals that requires expenditures from Company training funds must be approved by E&J Gallo's Vice President of Bottling Operations.
4. Specific additional opportunities will complement the ETP-funded training:
 - a. The Company agrees that, on a one-time basis and prior to the start of the ETP-funded training, already-identified machine operators will have the opportunity to demonstrate their proficiency in changeover of various machine centers, including the line-2 or line-5 rinser, for the purposes of qualifying for higher pay (a pay for skill and level increase). Employees who exercise the option for the rinser will be obligated to demonstrate proficiency in another equipment center within a twelve-month period. The Company will provide the necessary training opportunities to allow them to demonstrate such proficiency.
 - b. By September 30, 2004, the Company will have provided the opportunity to learn changeover responsibilities on a second machine center for eight level-3 operators whose current primary changeover machine center is the Line 16 fiber area.
 - c. Within six months of the end of the ETP-subsidized Training for Trainers, the Company will provide an opportunity for union members not selected in the first round of the ETP-funded Training for Trainers to attend a train-the-trainer class on paid company time. The Company will make a good faith effort to allow those who complete such a class to work in a training capacity in the future.
5. Union participation in the development and monitoring of training is key:
 - a. In order to allow for informed participation and support before the Panel, the ETP Development Analyst will provide the Union with a copy of the ETP Proposed Agreement well in advance of the date it is to be presented to the Panel for approval.
 - b. Periodic monitoring of the Union's ongoing satisfaction with training will be built into the ETP Monitoring Analyst's regular monitoring schedule. This monitoring will include not only the normal interviews with trainees but also interviews with the elected leadership of the Union.

We thank Ruby Cohen and Rosa Hernandez of the Sacramento office of ETP for their help in the development of this agreement. We also thank E&J Gallo representatives for helping initiate what may be a new, more productive and respectful employment environment. Finally we thank the Panel for generously considering the commitment of public funds for this training.

Faternally,



Jerry Barlow
President



**Glass, Molders, Pottery, Plastics & Allied Workers
International Union
(AFL-CIO, CLC)**

LOCAL UNION NO. 17 MODESTO, CALIFORNIA

Agreement No. ET 04-0476

July 30, 2003

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To: The Employment Training Panel

Re: Gallo Glass Company Application for Training Funds

To whom it may concern,

The Gallo Glass Company has been a leader in our Industry regarding the education and training of employees. Without consideration to cost or inconvenience, they have continually improved existing training classes and added new classes whenever needed.

GMP Local Union #17 wholeheartedly endorses Gallo's application for training funds.

Sincerely

David A. Hoffman
President

GMP Local Union #17 AFL-CIO, CLC